

--820 KAR CHAPTER 1--

820 KAR 1:001. Definitions for 820 KAR Chapter 1.

RELATES TO: KRS 238.500 to 238.995

STATUTORY AUTHORITY: KRS 238.515(9)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 238.515(9) authorizes the Department of Charitable Gaming to promulgate administrative regulations to carry out the provisions of the chapter. This administrative regulation establishes definitions of terms used throughout 820 KAR Chapter 1.

Section 1. Definitions. (1) "Bet block" means an area which indicates the dollar amount of the wager.

(2) "Card" or "face" means a card or paper containing:

(a) Five (5) rows of five (5) squares with twenty-four (24) preprinted numbers;

(b) A free center space; and

(c) The letters "B", "I", "N", "G", "O" printed in order over the five (5) columns.

(3) "Cash" means currency, coinage or a negotiable instrument.

(4) "Conditioning" means a restatement of:

(a) How many numbers or combinations of numbers are being selected by the players;

(b) The way in which the numbers are being wagered; and

(c) The corresponding dollar amount wagered.

(5) "Covered" means daubed or smeared with indelible ink.

(6) "Deal" means each separate game or series of charity game tickets with the same serial number.

(7) "Designator" means an item:

(a) Upon which bingo letters and numbers are imprinted; and

(b) Used in the number selection process.

(8) "Disposable paper bingo card" means a nonreusable, paper bingo card:

(a) Bearing preprinted numbers; and

(b) Assembled in a:

1. Multiple card sheet;

2. Single sheet;

3. Pad; or

4. Packet form.

(9) "Draw ticket" means a ticket upon which the numbers randomly selected are marked on a blank ticket as the numbers are selected.

(10) "EPROM" means Erasable Programmable ROM.

(11) "Exception log" means a record documenting a prize payout that has not been authorized by the computer.

(12) "Flare" means a piece of paper, cardboard or similar material that bears printed information relating to the:

(a) Number of prizes to be awarded; and

(b) Specific prize amounts in a particular deal of charity game tickets.

(13) "Inside ticket" means a blank Keno ticket:

(a) Constructed with eighty (80) blocks numbered one (1) through eighty (80); and

(b) Containing a bet block.

(14) "Keno" means a numbers game in which:

(a) A participant chooses from one (1) to ten (10) numbers from a pool of eighty (80) numbers; and

(b) The winner and his prize is determined by correctly matching his numbers to the twenty (20) numbers generated in the game.

(15) "Keno equipment" means a:

(a) Electronic selection device;

(b) Random number generator;

(c) Computerized Keno system; or

(d) Integrated system of computer hardware and software that:

1. Generates a player ticket;
2. Records a game outcome;
3. Verifies a winning ticket;
4. Produces a management report; or
5. Performs other internal audit controls of a Keno operation.

(16) "Keno manager" means the person in charge of the operation of the Keno game.

(17) "Multirace ticket" means a single ticket which allows a player to make the same wager on consecutive games.

(18) "Outside ticket" means a computer generated ticket given to the player which reflects certain game and wagering information.

(19) "Perm number" means the number generally printed in the center space of a bingo card that identifies the unique pattern of numbers printed on that card.

(20) "PROM" means programmable ROM.

(21) "Quick pick" means a number selection made for the player by a computer.

(22) "RAM" or "random access memory" means the electronic memory that a computer uses to store information.

(23) "Random number generator" means a device:

(a) For generating number values that exhibit characteristics of randomness; and

(b) Composed of:

1. Computer hardware;
2. Computer software; or
3. A combination of computer hardware and software.

(24) "Regrade" means to manually recalculate the prize payout of a winning ticket according to the printed pay schedule.

(25) "ROM" or "read only memory" means:

(a) The electronic component used for storage of nonvolatile information in Keno equipment that provides instructions needed by the computer to begin its operations each time it is turned on;

(b) "PROM"; and

(c) "EPROM".

(26) "Seal card game with a cumulative or carryover prize" means a type of charity game ticket utilizing a seal card in which:

(a) The game manufacturer has established a prize pool composed of specifically-dedicated prize amounts originating from the play of a deal or deals of a particular game; and

(b) These specifically-dedicated prize amounts accumulate or carry over to a subsequently-played deal or deals of the same game and are awarded in conjunction with the play of those deals.

(27) "Selection device" means a device that:

(a) May be operated:

1. Manually; or
2. Automatically; and

(b) Is used to randomly select bingo numbers.

(28) "Serial number" means a number that is:

(a) Printed by the manufacturer on each card in a set; and

(b) Unique to the set.

(29) "Series number" means the number of unique card faces contained in a set.

(30) "Set" means a specific group of cards from the same product line that:

(a) Are the same:

1. Color; and
2. Border pattern;

(b) Are imprinted with the same serial number; and

(c) May include more than one (1) series of:

1. Cards; or

2. Faces.

(31) "Transaction log" means a record of the same information printed on each outside ticket that is:

(a) Retained in the computer's memory; or

(b) Printed out by the computer.

(32) "Twenty-four (24) hour period" means a twenty-four (24) hour period of time commencing at 12:01 a.m. and ending at 12 midnight.

(33) "Verification book" means a book compiled by the manufacturer of bingo cards that:

(a) Lists the unique patterns of numbers on each card by perm number; and

(b) Is used to verify the authenticity of a winning card.

(34) "Way ticket" means a single ticket that permits wagering on a combination of groups of numbers in various ways designated by the player.

(35) "Week" means a seven (7) day period beginning on Sunday and ending Saturday.

(36) "Year" is defined by KRS 238.505(25). (22 Ky.R. 146; eff. 9-7-95; Am. 23 Ky.R. 1000; eff. 11-8-96; 24 Ky.R. 151; 871; eff. 9-12-97; Recodified from 500 KAR 11:010, 2-23-99; 26 Ky.R. 222; 757; eff. 10-15-99; 28 Ky.R. 1499; 2030; eff. 3-13-2002.)

820 KAR 1:010. Temporary licensure.

RELATES TO: KRS 238.525, 238.530, 238.535, 238.555

STATUTORY AUTHORITY: KRS 238.515(9), 238.525(3), 238.530(1), (2), (4), 238.535(11), 238.555(1)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 238.525(2) authorizes the department to issue a temporary license to an applicant who has met the requirements for a license. KRS 238.525, 238.530, 238.535 and 238.555 establish requirements for licensure of qualifying charitable organizations, manufacturers, distributors and charitable gaming facilities. This administrative regulation establishes the requirements for temporary licensure of a qualifying charitable organization, manufacturer, distributor or charitable

gaming facility.

Section 1. Application for Temporary Licensure. A temporary license shall be issued by the Department of Charitable Gaming to a charitable organization, manufacturer, distributor or charitable gaming facility if the applicant has exhibited compliance with licensure requirements by completing and supplying the information requested on the appropriate licensure application form, which shall be:

(1) Form CG-1, "Application for License for Charitable Organization to Conduct Charitable Gaming in the Commonwealth of Kentucky";

(2) Form CG-2, "Application for License for Distributor of Charitable Gaming Supplies and Equipment";

(3) Form CG-3, "Application for License for Manufacturer of Charitable Gaming Supplies and Equipment";

(4) Form CG-4, "Application for License to Operate a Charitable Gaming Facility in the Commonwealth of Kentucky"; or

(5) Form CG-Schedule A, "Application for Charity Fundraising Event License or Special Limited Charity Fundraising Event License".

Section 2. Form of Temporary Licenses. A temporary license issued by the Department of Charitable Gaming shall clearly state the:

(1) Name of the licensee;

(2) Address of the licensee;

(3) Date of issuance of the temporary license;

(4) Expiration date of the temporary license;

(5) Premises or location at which the charitable gaming will be conducted, if the temporary license is for a charitable organization or a charitable gaming facility;

(6) Type of temporary license issued; and

(7) Address of the Department of Charitable Gaming.

Section 3. Processing Fee. (1) A processing fee of twenty-five (25) dollars shall accompany each application for temporary licensure.

(2) The twenty-five (25) dollar processing fee shall be credited to any balance due on the regular license at the time it is issued.

Section 4. Incorporation by Reference. (1) The following material is incorporated by reference:

(a) Form CG-1, "Application for License for Charitable Organization to Conduct Charitable Gaming in the Commonwealth of Kentucky (02/02)";

(b) Attachment CG-1A, "Tax Information Authorization (02/02)";

(c) Form CG-2, "Application for License for Distributor of Charitable Gaming Supplies and Equipment (02/02)";

(d) Form CG-3, "Application for License for Manufacturer of Charitable Gaming Supplies and Equipment (02/02)";

(e) Form CG-4, "Application for License to Operate a Charitable Gaming Facility in the Commonwealth of Kentucky (02/02)"; and

(f) Form CG-Schedule A, "Application for Charity Fundraising Event License or Special Limited Charity Fundraising Event License" (02/02)".

(2) These forms may be inspected, obtained or copied, subject to applicable copyright law, at the Department of Charitable Gaming, Public Protection and Regulation Cabinet, 132 Brighton Park Boulevard, Frankfort, Kentucky 40601-2639, 8 a.m. to 4:30 p.m., Monday through Friday. (21 Ky.R. 1402; eff. 1-9-95; Am. 23 Ky.R. 1408; eff. 11-8-96; Recodified from 500 KAR 11:015, 2-23-99; 26 Ky.R. 223; eff. 10-15-99; 28 Ky.R. 1400; 2031; eff. 3-13-2002.)

820 KAR 1:015. Permanent licensure.

RELATES TO: KRS 238.515(3), 238.525, 238.530, 238.535, 238.555

STATUTORY AUTHORITY: KRS 238.515(2), (3), (9), 238.530(1), (2), (4), 238.535(11), 238.555(1)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 238.525(1) requires the department to issue a permanent license to a qualified applicant and to establish fees not to exceed the amounts established in KRS 238.530, 238.535 and 238.555. This administrative regulation establishes

the fees and procedures for permanent licensure of charitable organizations, manufacturers, distributors, and charitable gaming facilities.

Section 1. Application for Licensure. (1) Unless complete application was made for temporary licensure under 820 KAR 1:010, applicants for permanent licensure shall submit to the department a complete application at least sixty (60) days prior to engaging in the conduct to be licensed. The applicant shall submit:

(a) Form CG-1, "Application for License for Charitable Organization to Conduct Charitable Gaming in the Commonwealth of Kentucky";

(b) Form CG-2, "Application for License for Distributor of Charitable Gaming Supplies and Equipment";

(c) Form CG-3, "Application for License for Manufacturer of Charitable Gaming Supplies and Equipment"; or

(d) Form CG-4, "Application for License to Operate a Charitable Gaming Facility in the Commonwealth of Kentucky".

(2) If the applicant satisfactorily meets the requirements for licensure prescribed in KRS Chapter 238, the department shall issue a permanent license.

Section 2. Information Required on License. A permanent license issued by the Department of Charitable Gaming shall clearly state the:

(1) Name of the licensee;

(2) Address of the licensee;

(3) Date of issuance of the license;

(4) Expiration date of the license;

(5) Premises or location at which the charitable gaming will be conducted, if the license is for a charitable organization or a charitable gaming facility;

(6) Type of license issued; and

(7) Address of the Department of Charitable Gaming.

Section 3. Fees for Licensure. (1) The department shall collect fees for applications for permanent licensure and for renewal applications.

(2)(a) The annual license fees for each license issued shall be as follows:

1. Manufacturer - \$1,000.
2. Distributor - \$1,000.
3. Charitable gaming facility which may have up to eighteen (18) sessions per week - \$2,500.
4. Charitable gaming facility which may have no more than eight (8) sessions per week - \$1,250.
5. Charitable gaming organization with gross receipts not in excess of \$100,000 - \$100.
6. Charitable gaming organization with gross receipts over \$100,000, but not in excess of \$250,000 - \$200.
7. Charitable gaming organization with gross receipts over \$250,000 - \$300.

(b) A processing fee of twenty-five (25) dollars shall accompany each application for licensure. The twenty-five (25) dollar processing fee shall be credited to any balance due on the license at the time it is issued.

(3) A permanent license shall not be issued until the annual license fee is paid in full.

(4) The permanent license shall be effective for one (1) year from the date of issuance.

(5) A processing fee of twenty-five (25) dollars shall be required for any change to a license application that mandates the reissuance of a license.

Section 4. Renewals. (1) A licensee wishing to renew its license shall make application to the department on the applicable application form identified in Section 1(1) of this administrative regulation, no later than sixty (60) days prior to the expiration date on the renewal applicant's current license.

(2) Annual fees for renewal licenses shall be the same as those set forth in Section 3(2) of this administrative regulation.

(3) Failure to timely renew as directed in subsection (1) of this section may result in issuance of a renewal license after the expiration date of the applicant's current license. Activities authorized by any license shall not continue after the expiration date on the license, and the licensee

shall cease the activities until receipt of the renewal license.

Section 5. Incorporation by Reference. (1) The following material is incorporated by reference:

(a) Form CG-1, "Application for License for Charitable Organization to Conduct Charitable Gaming in the Commonwealth of Kentucky (02/02)";

(b) Attachment CG-1A, "Tax Information Authorization (02/02)";

(c) Form CG-2, "Application for License for Distributor of Charitable Gaming Supplies and Equipment (02/02)";

(d) Form CG-3, "Application for License for Manufacturer of Charitable Gaming Supplies and Equipment (02/02)";

(e) Form CG-4, "Application for License to Operate a Charitable Gaming Facility in the Commonwealth of Kentucky (02/02)"; and

(f) Form CG-Schedule A, "Application for Charity Fundraising Event License or Special Limited Charity Fundraising Event License (02/02)".

(2) These forms may be inspected, obtained or copied, subject to applicable copyright law, at the Department of Charitable Gaming, Public Protection and Regulation Cabinet, 132 Brighton Park Boulevard, Frankfort, Kentucky 40601-2639, 8 a.m. to 4:30 p.m., Monday through Friday. (21 Ky.R. 1997; Am. 2499; eff. 3-10-95; 23 Ky.R. 1409; eff. 11-8-96; Recodified from 500 KAR 11:015, 2-23-99; 26 Ky.R. 224; eff. 12-16-99; 28 Ky.R. 1501; 2032; eff. 3-13-2002.)

820 KAR 1:020. Conduct of hearings.

RELATES TO: KRS 13B.010, 13B.170, 238.565

STATUTORY AUTHORITY: KRS 13B.010, 13B.170, 238.515(9), 238.565(2)

NECESSITY, FUNCTION, AND CONFORMITY: This administrative regulation establishes the procedures to be followed by the Department of Charitable Gaming in conducting hearings following notification to a licensee of an action to be taken against the licensee.

Section 1. Conduct of Hearings. (1) Except as

provided in subsection (2) of this section, the provisions of KRS 13B.010 through 13B.170 shall govern all hearings conducted pursuant to KRS 238.565.

(2) The deadline for action by the secretary of the cabinet relating to a recommended order following a hearing shall be governed by KRS 238.565(3). (21 Ky.R. 1403; eff. 1-9-95; Recodified from 500 KAR 11:020, 2-23-99.)

820 KAR 1:025. Quarterly reports of a licensed charitable organization.

RELATES TO: KRS 238.060(3), 238.550(5), 238.570(1)

STATUTORY AUTHORITY: KRS 238.515(4), (9), 238.550(5), 238.570(1)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 238.550(5) and 238.570(1) require a licensed charitable organization to submit quarterly reports and remit four-tenths (4/10) of one (1) percent of the gross receipts derived from charitable gaming to the department. This administrative regulation establishes the method and time of filing the quarterly reports and remitting payment of the quarterly fees due.

Section 1. Quarterly Reporting Period Defined. (1) A quarterly report shall be filed by a licensed charitable organization within thirty (30) days following the close of each calendar year quarter. If the 30th day following the close of the calendar quarter is on a Saturday, Sunday or legal holiday, the report shall be due on the first business day thereafter.

(2) A quarterly report shall be considered filed when due if it has been:

(a) Mailed to the department by first class mail, postage prepaid, to the correct address and postmarked by the due date; or

(b) Received in the department by hand-delivery on or before the due date.

Section 2. Quarterly Reports. A quarterly report shall:

(1) Be submitted on the following forms:

(a) Form CG-QR, "Quarterly Activity Report";

(b) Attachment A, "Charitable Gaming Account Information";

(c) Attachment B, "Report of All Winners of Prizes with a Fair Market Value of \$600 or More";

(d) Attachment C, "Special License Activity Report";

(e) Attachment D, "Summary of Gaming Activity"; and

(f) Attachment E, "Report of Charitable Contributions Made by Licensee";

(2) Be signed by an authorized officer of the licensed charitable organization; and

(3) If prepared by an individual other than an authorized officer, be signed by the preparer.

Section 3. Fees Due. The fee imposed by KRS 238.570(1) on gross gaming receipts of a licensed charitable organization shall be remitted by check made payable to "Kentucky State Treasurer" at the time the quarterly report is due.

Section 4. Late Fine. (1) If the quarterly fee imposed by KRS 238.570(1) is not remitted when due, a fine of twenty-five (25) dollars per day, not to exceed \$250 dollars per quarter, shall be imposed on the licensed charitable organization until the quarterly fee has been received by the department.

(2) The quarterly fee shall be considered remitted when due if:

(a)1. It has been mailed:

a. To the department by first class mail;

b. Postage prepaid; and

c. To the correct address; and

2. It has been postmarked by the due date; or

(b) It has been received by hand delivery to the department on or before the due date.

(3) The fine imposed in subsection (1) of this section shall be paid:

(a) Within ten (10) days of receipt of an invoice from the department; and

(b) By check made payable to "Kentucky State

Treasurer".

Section 5. Reporting Expenses. All expenses reported by a licensee on Form CG-QR shall be reported for the period in which payment is made regardless of when the goods or services are used.

Section 6. Incorporation by Reference. (1) The following material is incorporated by reference:

(a) "Quarterly Activity Report", Form CG-QR, (July 2001 Edition), Department of Charitable Gaming;

(b) "Charitable Gaming Account Information", Attachment A, (July 2001 Edition), Department of Charitable Gaming;

(c) "Report of All Winners of Prizes with a Fair Market Value of \$600 or More", Attachment B, (July 2001 Edition), Department of Charitable Gaming;

(d) "Special License Activity Report", Attachment C, (July 2001 Edition), Department of Charitable Gaming;

(e) "Summary of Gaming Activity", Attachment D, (February 2002 Edition), Department of Charitable Gaming;

(f) "Report of Charitable Contributions Made by Licensee", Attachment E, (July 2001 Edition), Department of Charitable Gaming; and

(g) "Report of Donated Prizes", Attachment F, July 2001 Edition, Department of Charitable Gaming.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Department of Charitable Gaming, Public Protection and Regulation Cabinet, 132 Brighton Park Boulevard, Frankfort, Kentucky 40601-2639, Monday through Friday, 8 a.m. to 4:30 p.m. (21 Ky.R. 1998; Am. 2500; eff. 3-10-95; 23 Ky.R. 1410; 1935; eff. 11-8-96; 24 Ky.R. 152; 873; eff. 9-12-97; Recodified from 500 KAR 11:025, 2-23-99; 26 Ky.R. 226; eff. 10-15-99; 28 Ky.R. 1503; 2033; eff. 3-13-2002.)

820 KAR 1:026. Quarterly reports of a licensed charitable gaming facility.

RELATES TO: KRS 238.555(6)

STATUTORY AUTHORITY: KRS 238.515(4), (9), 238.555(6)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 238.555(6) requires a licensed charitable gaming facility to report to the department at least quarterly concerning its operation. This administrative regulation establishes the method and time of filing the required reports.

Section 1. Quarterly Reporting Period Defined. (1) A quarterly report shall be submitted by a licensed charitable gaming facility within thirty (30) days following the close of each calendar year quarter. If the 30th day following the close of the calendar quarter is on a Saturday, Sunday or legal holiday, the report shall be due on the first business day thereafter.

(2) A quarterly report shall be considered submitted when due if it has been:

(a) Mailed to the department by first class mail, postage prepaid, to the correct address and postmarked by the due date; or

(b) Received in the department by hand-delivery on or before the due date.

Section 2. Quarterly Reports. A quarterly report shall:

(1) Be submitted on a Form CG-FACQR;

(2) Be signed by the chief executive and chief financial officers of the license holder; and

(3) If prepared by an individual other than the chief executive or financial officers, be signed by the preparer.

Section 3. Late Fine. (1) If the quarterly report required by Section 1 of this administrative regulation is not submitted when due, a fine of twenty-five (25) dollars per day, not to exceed \$250 dollars per quarter, shall be imposed on the licensed charitable gaming facility until the quarterly report has been received by the department.

(2) The quarterly report shall be considered submitted when due if:

(a)1. It has been mailed:

a. To the department by first class mail;

b. Postage prepaid; and

c. To the correct address; and

2. It has been postmarked by the due date; or

(b) It has been received by hand-delivery to the department on or before the due date.

(3) The fine imposed in subsection (1) of this section shall be paid:

(a) Within ten (10) days of receipt of an invoice from the department; and

(b) By check made payable to "Kentucky State Treasurer".

Section 4. Failure by a licensed charitable gaming facility to file reports required by this administrative regulation, or to pay fines assessed for failure to timely file reports required by this administrative regulation, shall constitute grounds for revocation or denial of licensure.

Section 5. Incorporation by Reference. (1) Form CG-FACQR, Quarterly Report of a Licensed Charitable Gaming Facility, 02/02, is incorporated by reference.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Department of Charitable Gaming, Public Protection and Regulation Cabinet, 132 Brighton Park Boulevard, Frankfort, Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m. (28 Ky.R. 1536; Am. 2034; eff. 3-13-2002.)

820 KAR 1:027. Quarterly report of a licensed distributor regarding card-minding devices.

RELATES TO: KRS 238.530, 238.540(6), 238.545(1)(b)

STATUTORY AUTHORITY: KRS 238.515(4), (9), 238.530(5), 238.545(1)(b)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 238.545(1)(b) permits licensed charitable organizations to offer card-minding devices, as defined in KRS 238.505(26), for use by bingo players. KRS 238.540(6) requires that a licensed charitable organization obtain charitable gaming supplies and equipment, of which card-minding devices are a type, only from a licensed distributor. KRS 238.530(5) permits the department to require a licensed distributor to report on its activities regarding the furnishing of charitable gaming

supplies and equipment, with the content and frequency of these reports to be prescribed by administrative regulation. This administrative regulation establishes the method and time of filing for reports concerning card-minding devices.

Section 1. Reports concerning card-minding devices shall be completed in accordance with the following:

(1) A licensed distributor shall submit the report required by this administrative regulation on a Form CG-DIS/CMD, Distributor's Quarterly Usage Report Regarding Card-Minding Devices;

(2) The report shall include, as attachments, copies of contracts, leases or purchase agreements between the licensed distributor and each licensed charitable organization to which card-minding devices were furnished during each calendar year quarter;

(3) The report shall be signed by the chief executive and chief financial officers of the licensed distributor; and

(4) If prepared by an individual other than the chief executive or financial officers, the report shall be signed by the preparer.

Section 2. Reporting Period Defined. (1) A completed Form CG-DIS/CMD shall be submitted by a licensed distributor within thirty (30) days following the close of each calendar year quarter. If the 30th day following the close of the calendar quarter is on a Saturday, Sunday or legal holiday, the report shall be due on the first business day thereafter.

(2) The report shall be considered submitted when due if it has been:

(a) Mailed to the department by first class mail, postage prepaid, to the correct address and postmarked by the due date; or

(b) Received in the department by hand-delivery on or before the due date.

Section 3. Late Fine. (1) If the Form CG-DIS/CMD required by Section 1 of this administrative regulation is not submitted when due, a fine of twenty-five (25) dollars per day, not to exceed \$250 per quarter, shall be imposed on the licensed distributor until the report has been received by the department.

(2) The report shall be considered submitted when due if:

(a)1. It has been mailed:

a. To the department by first class mail;

b. Postage prepaid; and

c. To the correct address; and

2. It has been postmarked by the due date; or

(b) It has been received by hand-delivery to the department on or before the due date.

(3) The fine imposed in subsection (1) of this section shall be paid:

(a) Within ten (10) days of receipt of an invoice from the department; and

(b) By check made payable to "Kentucky State Treasurer".

Section 4. A licensed distributor's failure to file the reports required by this administrative regulation, or to pay late fines assessed for failure to timely file reports required by this administrative regulation, shall constitute grounds for revocation or denial of licensure.

Section 5. Incorporation by Reference. (1) Form CG-DIS/CMD, Distributor's Quarterly Usage Report Regarding Card-Minding Devices, 02/02, is incorporated by reference.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Department of Charitable Gaming, Public Protection and Regulation Cabinet, 132 Brighton Park Boulevard, Frankfort, Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m. (28 Ky.R. 1537; Am. 1898; 2034; eff. 3-13-2002.)

820 KAR 1:030. Charity game ticket standards.

RELATES TO: KRS 238.545(1), (2)

STATUTORY AUTHORITY: KRS 238.515(2), (9), 238.545(1), (2)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 238.515(2) and (9) require the Department of Charitable Gaming to establish reasonable

standards for the conduct of charitable gaming. KRS 238.545(2) requires the department to establish standards for charity game ticket construction, distribution and rules of play. This administrative regulation establishes standards for the construction and distribution of charity game tickets and for the conduct of play of charity game tickets.

Section 1. (1) A licensed distributor of charitable gaming supplies and equipment shall distribute in Kentucky only those charity game tickets conforming to the requirements of this administrative regulation.

(2) A licensed charitable organization shall sell to the public only those charity game tickets conforming to the requirements of this administrative regulation.

Section 2. Charity Game Ticket Construction Standards. The following standards shall govern the construction of charity game tickets:

(1) Charity game tickets shall be constructed so that concealed numbers, symbols, or winner protection features cannot be viewed or determined from the outside of the charity game ticket using a high intensity lamp of 500 watts, with or without utilizing a focusing lens.

(2) The deal shall be designed, constructed, glued and assembled in a manner to prevent determination of a winning or losing ticket without removing the tabs or otherwise uncovering the symbols or numbers as intended.

(3) Each charity game ticket in a deal shall bear the same serial number. If a seal card is used with a charity game ticket deal, the seal card shall bear the same serial number as each charity game ticket. Only one (1) serial number shall be used in a deal. A serial number used in a deal of charity game tickets shall not be repeated by the same manufacturer on that same manufacturer's form within a three (3) year period.

(4) If the charity game ticket utilizes a window, the numbers or symbols on the charity game ticket shall be fully visible in the window and shall be placed so that no part of a symbol or number remains covered when the tab is removed. Displacement of the symbol to the left or right in a window may be used for increased game security. Additional security devices or methods, including a laminate underneath a window, may be used by a manufacturer.

(5) If the charity game ticket utilizes a window, the window slits on each charity game ticket shall be perforated on the three (3) cut sides. All charity game tickets shall be glued on all four (4) edges and between each window. The glue shall be of sufficient strength and type to prevent the undetectable separation or delamination of the charity game ticket.

(6) The following information shall be printed on a charity game ticket measuring one and one-fourth (1 1/4) inches by two and one-fourth (2 1/4) inches or larger, unopened:

(a) The name of the manufacturer, or its distinctive logo;

(b) The name of the game;

(c) The manufacturer's form number;

(d) The price per individual charity game ticket, unless accompanied by a flare or seal card with that information;

(e) The unique minimum five (5) digit game serial number, printed on the game information side of the charity game ticket; and

(f) The number of winners and respective winning numbers or symbols, and specific prize amounts, unless accompanied by a flare with that information.

(7) The following information shall be printed on a charity game ticket measuring less than one and one-fourth (1 1/4) inches by two and one-fourth (2 1/4) inches, unopened:

(a) The name of the manufacturer, or its distinctive logo; and

(b) The unique minimum five (5) digit game serial number, printed on the game information side of the charity game ticket.

Section 3. Randomization. The following randomization standards shall govern the manufacture of charity game tickets:

(1) The deal shall be assembled so that winning tickets are placed throughout the deal.

(2) The deal shall be assembled and packaged in a manner which prevents isolation of winning tickets from variations in size, the appearance of a cut edge, or other markings of the tickets.

(3) The deal shall be assembled and packaged in a manner which prevents detection of winning tickets through variations in printing graphics or colors.

(4) Winning charity game tickets shall be distributed and mixed among all other charity game tickets in a deal so as to eliminate any pattern between deals, or portions of deals, from which the location or approximate location of any winning charity game ticket may be determined.

(5) The charity game ticket deal shall be assembled so that no placement of winning or losing charity game tickets exists that allows the possibility of prize manipulation.

Section 4. Packaging and Distribution. (1) Each deal's package, box, or other container shall be sealed at the manufacturer's factory with a seal which includes a warning to the purchaser that the deal may have been tampered with if the package, box or other container was received by the purchaser with the seal broken.

(2) A deal's serial number shall be clearly and legibly placed on:

(a) The outside of the deal's package, box or other container; or

(b) On the inside of the deal's package, box or other container if it is clearly visible from the outside.

(3) Manufacturers shall seal or tape, with a tamper-resistant seal or tape, every entry point into a container of charity game tickets prior to shipment. The seal or tape shall be constructed to guarantee that if the container is opened or tampered with, the tampering or opening would be easily discernible.

Section 5. Flares or Seal Cards. Every deal of charity game tickets shall contain a flare or a seal card that has printed or affixed on it, by the manufacturer, the following information:

(1) The name of the game;

(2) The manufacturer's name or logo;

(3) The manufacturer's form number;

(4) The ticket count;

(5) The prize structure that includes the number of winning charity game tickets by denomination,

with their respective winning symbols or number combinations, including amounts dedicated to the prize pool in a seal card game with a cumulative or carryover prize;

(6) The cost per play; and

(7) The game serial number.

Section 6. Tracking by Manufacturer. Every manufacturer of charity game tickets shall maintain records sufficient to track each deal of charity game tickets, by serial number, from the manufacturer to the next point of sale for thirty-six (36) months. The records shall be subject to inspection by department staff.

Section 7. Tracking by Distributor. (1) Every distributor of charity game tickets shall maintain records sufficient to track each deal of charity game tickets, by serial number, from purchase by the distributor to the next point of sale for thirty-six (36) months.

(2) Records required under this section shall be deemed sufficient if the distributor records at least:

(a) The name, address, and telephone number of the purchaser at the next point of sale; or

(b) The name and Kentucky license or exemption number of the purchaser at the next point of sale.

(3) The records shall be subject to inspection by department staff.

Section 8. Defects. (1) If a defect in packaging or in the construction of a charity game ticket game is discovered by, or reported to, the department, the department shall take immediate steps to notify the manufacturer of the game containing the alleged defect.

(2) If the department, in consultation with the manufacturer, determines that a defect actually exists, and if the department determines that the defect affects game security or otherwise threatens public confidence in the game, the department may, with respect to deals for use still located within the Commonwealth of Kentucky, require the manufacturer to:

(a) Recall the deals affected that have not been sold at retail to licensed organizations;

(b) Recall the deals, by form number, from the distributor level; or

(c) Issue a total recall of all affected deals.

(3) In choosing and directing a particular recall from subsection (2) of this section, the department shall be guided in each circumstance by any combination of the following factors:

(a) The nature of the defect;

(b) Whether the defect affected game security;

(c) Whether the defect affected game playability;

(d) Whether the defect was limited to a specific number of deals of a particular form number;

(e) Whether the defect was easily detectable by a charitable gaming organization;

(f) Whether the defect was easily detectable by members of the general public;

(g) Whether the defect threatens public confidence in the game; or

(h) Whether the defect is capable of being used to adversely affect the fair play of the game.

Section 9. Rules of Play. The following rules of play shall govern the conduct and sale of charity game tickets:

(1) The flare or seal card described in Section 5 of this administrative regulation, including a seal card relating to a game with a cumulative or carryover prize, shall be posted by the licensed charitable organization in the vicinity of the deal and in full and complete view of the players while the deal is in play.

(2) Charity game tickets shall not be sold to the public from the original packing box or container.

(3) If a deal of charity game tickets is received in two (2) or more boxes, packages or containers, all of the charity game tickets from the boxes, packages or containers shall be placed out for play at the same time.

(4) Charity game tickets which have been marked, defaced, altered, tampered with, received in packaging that is not tamper-resistant, or otherwise constructed in a manner which tends to deceive the public or affect the chances of winning or losing shall not be placed into play.

(5) All winning charity game tickets shall have the winning symbol or number defaced or punched by

an authorized representative of the charitable organization immediately after redemption.

(6) All winning charity game tickets with a prize value of fifty (50) dollars and above, all seal card winners with a prize value of fifty (50) dollars and above, and all unsold charity game tickets shall be retained by the licensed charitable organization for a period of twelve (12) months to allow auditing by the staff of the department.

(7) All used nonwinning charity game tickets and seal cards, and all winning or unsold charity game tickets and seal cards which have been retained for the required twelve (12) month period, shall be disposed of by burning, shredding, destroying or defacing in some manner to prevent reuse of any charity game ticket or seal card or any portion thereof.

(8) An authorized representative of the charitable organization conducting the event at which charity game tickets are sold shall verify the serial numbers or winner protections for all winning charity game tickets redeemed.

(9)(a) If a deal is not played to completion and there remain unsold winning charity game tickets, the licensed charitable organization conducting the gaming shall sell the remaining charity game tickets on the next appointed date for charitable gaming activities.

(b) If no future date is anticipated, the licensed charitable organization shall, after making every effort to sell the entire deal, consider the deal closed or completed, and shall retain all unsold charity game tickets as required in subsection (6) of this section.

(c) If no winning charity game tickets remain in the deal, the licensed charitable organization shall consider the deal closed or completed and shall retain unsold charity game tickets as required in subsection (6) of this section.

(d) A licensed charitable organization, other than the one that initiated the deal, shall not complete play of a deal.

(10)(a) If a seal card from a deal is not played to completion, the licensed charitable organization shall sell the remaining charity game tickets necessary to play out the seal card on the next appointed date for charitable gaming activities.

(b) If no future date is anticipated, the licensed

charitable organization shall, after making every effort to sell the entire deal, consider the deal closed or completed, and shall retain all unsold charity game tickets as required in subsection (6) of this section.

(c) A licensed charitable organization, other than the one that initiated the seal card from the deal, shall not complete play of the deal or seal card.

(11) An individual involved in any capacity in the conduct of a charitable gaming event at which charity game tickets are sold shall not be permitted to purchase or play charitable game tickets.

(12) A charity game ticket shall not be sold to the public at a price different than that printed on the charity game ticket or upon the flare or seal card which accompanies the charity game ticket.

(13) A holder of a winning charity game ticket shall have sixty (60) days to redeem the winning ticket. If the prize is not claimed within sixty (60) days, the prize shall be considered unclaimed and be retained as property of the organization.

(14) Before placing a deal into play, the charitable organization shall verify that the serial number on the charity game tickets within each deal match the serial number on the flare or seal card by conducting a random sampling of charity game tickets within each deal. If the charitable organization determines that serial numbers on tickets within a deal do not match the serial number on the seal card accompanying the deal, the organization shall not place the deal into play.

(15) If playing charity game tickets that utilize a seal card, a charitable organization shall not award a prize to the holder of a winning charity game ticket unless the serial number on the ticket presented for redemption matches the serial number on the seal card.

(16) A charitable organization shall award prizes to winners of charity game tickets only in accordance with the prize structure indicated on the flare or seal card accompanying the deal of tickets.

Section 10. Seal Card Games with Cumulative or Carryover Prizes. The following provisions shall govern the play of seal card games with cumulative or carryover prizes, in addition to those provisions set forth in Sections 1 through 9 of this administrative regulation:

(1) Each cumulative or carryover prize pool shall be

established only through the play of deals of a specific game if those deals bear a manufacturer's form number identical to the form number of any previously played deals contributing to the prize pool. If a licensed charitable organization awards a cumulative or carryover prize pool by any means that differ from the method designed by the game manufacturer, as indicated on the seal card accompanying the game, the organization shall conspicuously post house rules in complete view of the players describing the means by which specific cumulative or carryover prize pools will be awarded.

(2) A licensed charitable organization shall display the seal card on which a cumulative or carryover prize may be awarded in full and complete view of the players at all times if the cumulative or carryover prize remains unpaid. The seal card shall remain displayed during bingo sessions or other charitable gaming activities conducted by the organization for a period of fifteen (15) days after the organization awards the prize. If a specific cumulative or carryover prize is not awarded, the organization shall continue to display the seal card during bingo sessions or other charitable gaming activities it conducts for at least fifteen (15) days after the date the organization considers the game closed and retains the prize as its property.

(3)(a) In addition to the seal cards described in subsection (2) of this section, a licensed charitable organization shall display, in full and complete view of the players and at all times if a specific cumulative or carryover prize remains unpaid:

1. A legible poster identifying by game name and deal serial number each deal of charity game tickets contributing a dedicated amount to a specific prize pool; or

2. Each seal card contributing to the prize pool.

(b) The poster or seal cards shall remain displayed during bingo sessions or other charitable gaming activities conducted by the organization until the expiration of fifteen (15) days after the organization awards the prize.

(c) If a cumulative or carryover prize is not awarded, the organization shall continue to display the poster or seal cards during bingo sessions or other charitable gaming activities it conducts for at least fifteen (15) days after the date the organization considers the game closed and retains the prize as its property.

(4) If playing seal card games with a cumulative or carryover prize, a charitable organization shall not award a prize to the holder of a winning charity game ticket unless the serial number on the ticket presented for redemption matches the serial number on a seal card relating to a deal of tickets that contributed a dedicated amount to the specific cumulative or carryover prize pool.

(5) A licensed charitable organization shall retain seal cards described in this section for a period of one (1) year from the date at which the organization either awards the prize or considers the game closed and retains the prize as its property.

(6) A licensed charitable organization shall report to the department concerning its play of seal card games with a cumulative or carryover prize in accordance with the provisions of 820 KAR 1:025.

Section 11. Automated Charity Game Ticket Dispensers. (1) Approval of an automated charity game ticket dispenser.

(a) An automated charity game ticket dispenser shall not be sold, leased or otherwise furnished to any person in the state unless:

1. A dispenser which is identical to the dispenser intended to be sold, leased or otherwise furnished has been:

a. First presented to the department by its manufacturer, at the manufacturer's expense, for review by the department; or

b. Certified by an independent testing laboratory that the dispenser satisfies the manufacturing requirements set forth in subsection (2) of this section; and

2. The dispenser has been approved by the department.

(b) If granted, approval shall extend only to the specific dispenser model approved, and any modification shall first be approved by the department.

(c) The department may keep the dispenser for further testing and evaluation for as long as the department deems necessary.

(2) Manufacturing requirements. Each automated charity game ticket dispenser shall:

(a) Contain a three (3) prong ground and surge

protector, and shall be capable of withstanding static electricity;

(b) Contain columns which accommodate different sized charity game tickets;

(c) Be constructed so that customers can see how many charity game tickets remain within the dispenser or have resettable counters visible to the customer indicating the number of charity game tickets left in each column of the dispenser;

(d) Have an outlet or tray to catch dispensed charity game tickets;

(e) Accurately dispense the correct number of charity game tickets;

(f) Contain one (1) or more player buttons on the front of the dispenser to dispense charity game tickets if pressed;

(g) Have a minimum of two (2) and a maximum of eight (8) columns in a separate locking compartment;

(h) Contain a luminated electronic display to display the value of the currency;

(i) Be capable, if a malfunction occurs or the electrical power is interrupted after currency has been validated, of accurately redisplaying the value of the currency after the malfunction or power is restored;

(j) Not dispense any credits or redeem a winning charity game ticket;

(k) If using bill acceptors or similar devices that do not return change, clearly disclose that fact to the customer;

(l) Not have a video screen or produce audio sounds except for security alarms;

(m) Not resemble a slot machine or other gambling device;

(n) Contain the manufacturer's name, dispenser's serial number and model number, and date of manufacture, all of which shall be permanently affixed to the side of the dispenser;

(o) Have an on/off switch in an inconspicuous location on the exterior of the dispenser;

(p) Not record test sales of charity game tickets or currency acceptances on the dispenser's

accounting meters;

(q) Contain a nonresettable accounting meter for total currency validated and for total of charity game tickets dispensed and shall be capable of retaining this information for six (6) months after power has been disconnected;

(r) Contain an EPROM microchip which holds the dispenser's programming code and which is identical in all respects to the manufacturer's EPROM microchip approved by the department;

(s) Contain a RAM or EPROM microchip equipped with a RAM microchip which shall maintain the same information as required in paragraph (q) of this subsection for six (6) months after power has been disconnected and which is installed with a tamper-proof seal inside the dispenser;

(t) Automatically discontinue operation if any nonresettable accounting meter, RAM microchip, or EPROM microchip is disconnected; and

(u) Contain at least one (1) electronic currency validator which shall:

1. Only validate United States currency;

2. Not validate currency in denominations in excess of twenty (20) dollars;

3. Transmit the value of validated currency to the charity game ticket dispenser;

4. Be equipped with mechanisms to ensure that charity game tickets will not be dispensed unless the currency was validated and retained;

5. Be capable of preventing acceptance of known counterfeit currency;

6. Return any invalid currency to the player;

7. Have at least one (1) removable stacker box capable of stacking bills or a removable drop box contained in a separate locked compartment; and

8. Automatically discontinue accepting or validating currency if a malfunction occurs or if electrical power to the dispenser or currency validator is interrupted.

(3) Automated charity game ticket dispensing limitations. The following limitations shall apply to the use of automated charity game ticket dispensers:

(a) A charitable gaming organization shall not use the dispenser until a previous user has removed its charity game tickets and money from the dispenser;

(b) Each charitable organization operating the dispenser shall place upon the dispenser an identification label which displays the organization's name and license number;

(c) The keys to open the locked doors to the dispenser's ticket dispensing area and cash box shall be solely in the possession and control of the designated chairperson of the charitable organization conducting the charitable gaming session;

(d) A person shall not put out a charity game ticket deal in a dispenser unless the entire deal shall be sold solely from the dispenser. All charity game tickets in any one column shall have the same serial number. Each charity game ticket deal shall be placed in a minimum of two (2) columns to ensure randomization;

(e) A licensee shall not display, use or otherwise furnish a dispenser which has in any manner been tampered with or which otherwise may deceive the public or affect a person's chances of winning;

(f) A charity game ticket deal shall not be placed in the dispenser until the entire deal of charity game tickets previously in the dispenser has been played out or permanently removed; and

(g) After placement in the dispenser, a charity game ticket shall not be removed from the dispenser, except for those charity game tickets actually played by consumers, removed by department representatives or law enforcement agencies, temporarily removed during necessary repair and maintenance or removed at the end of the gaming session.

(4) Inspection. The department or its authorized representatives may examine and inspect any automated charity game ticket dispenser. The examination and inspection shall include immediate access to the dispenser and unlimited inspection of all parts of the dispenser.

(5) Recordkeeping.

(a) Each licensed charitable organization shall maintain the following information in connection with its use of an automated charity game ticket dispenser:

1. Date of purchase or lease of each dispenser;

2. Model and serial number of each dispenser;

3. Purchase or lease price of each dispenser;

4. Name, address and license number of the distributor from whom the dispenser was purchased, leased or otherwise furnished; and

5. A record of all maintenance and repairs relating to the dispenser.

(b) Manufacturers and distributors shall maintain the following information in connection with each sale or lease of a dispenser:

1. Date of sale or lease;

2. Quantity sold or leased;

3. Cost per dispenser;

4. Model and serial number of each dispenser; and

5. Name, address and license number of the purchaser or lessee.

(c) All records, reports and receipts relating to dispenser sales, maintenance and repairs required to be maintained shall be retained for a period of three (3) years for examination by the department.

(6) Defects. If the department detects or discovers any defect or malfunction with the dispenser, which is not temporary in nature, that affects the integrity or security of the charity game ticket game, the department may direct the manufacturer, distributor or organization to cease the sale, lease or use of the dispenser, as applicable, and may require the manufacturer to correct the defect, malfunction or problem or recall the dispenser immediately upon notification by the department to the manufacturer. If the manufacturer, distributor or organization detects or discovers any defect or malfunction with the dispenser, which is not temporary in nature, the entity shall immediately remove the dispenser from use and notify the department of that action. (22 Ky.R. 436; eff. 10-13-95; Am. 23 Ky.R. 1001; 1935; eff. 11-8-96; Recodified from 500 KAR 11:030, 2-23-99; 26 Ky.R. 227; 627; 759; eff. 10-15-99; 28 Ky.R. 1504; 1899; 2035; eff. 3-13-2002.)

820 KAR 1:040. Bingo standards.

RELATES TO: KRS 238.545

STATUTORY AUTHORITY: KRS 238.515(2), (9)

NECESSITY, FUNCTION, AND CONFORMITY: The Department of Charitable Gaming is authorized to establish reasonable standards for the conduct of charitable gaming and to establish standards for the construction and distribution of bingo materials and equipment and rules of play. This administrative regulation establishes standards for the construction and distribution of bingo materials and equipment and for the conduct of play of bingo.

Section 1. Bingo Material Construction Standards. The following standards shall govern the construction of bingo materials:

(1) The paper used shall be of sufficient weight and quality to allow for clearly readable numbers and to prevent ink from spreading or bleeding through a packet thereby obscuring other numbers or cards.

(2) Perm numbers shall be displayed in the center square of the card.

(3) Numbers printed on the card shall be randomly assigned.

(4) Each set of cards shall be comprised of cards bearing the same serial number. No serial number shall be repeated by the same manufacturer within one (1) year.

(5) Cards assembled in books or packets shall be glued. Staples shall not be used.

(6) A label shall be placed on, or be visible from, the exterior of each carton of bingo cards listing the following information:

(a) Type of product;

(b) Number of booklets or loose sheets;

(c) Series numbers;

(d) Serial number of the top sheet;

(e) Number of cases;

(f) Cut of paper; and

(g) Color of paper.

Section 2. Bingo Equipment Approval. (1) Designators, receptacles, display boards, other selection devices, and other bingo equipment used in the selection and display of game numbers, shall be made available for inspection or testing by the department at any time.

(2) Equipment referenced in subsection (1) of this section shall assure randomness and be free of any defects when used in a bingo game.

Section 3. Tracking by Manufacturer. Every manufacturer of bingo materials shall maintain records sufficient to track the bingo materials from the manufacturer to the next point of sale for thirty-six (36) months. The records shall be subject to inspection by department staff.

Section 4. Tracking by Distributor. Every distributor of bingo materials shall maintain records sufficient to track the bingo materials from purchase by the distributor to the next point of sale for thirty-six (36) months. The records shall be subject to inspection by department staff.

Section 5. Rules of Play. The following rules of play shall govern the conduct of bingo games:

(1) All individuals involved in any way in the conduct of bingo shall be trained in the proper conduct of the game and the control of funds.

(2) Except for Braille cards intended for use by blind players, bingo cards shall not be reserved by the charitable organization for any player. Legally blind players may use their own cards if the licensee does not make Braille cards available.

(3) Disposable paper bingo cards that have the same series number shall not be sold for use in the same game.

(4) Before selecting or calling the first number in a game, the bingo caller shall call out the amount of the game prize to be awarded.

(5) Before selecting and calling the first number in a game, the bingo caller shall announce the pattern or arrangement of squares to be covered to win the game. This information shall also be posted in a conspicuous place or listed in an occasion program.

(6) All selection equipment shall be free of defects.

(7) After selecting each number, the bingo caller shall:

(a) Clearly announce the number;

(b) Display the ball or other device used as a designator in a manner allowing the players to see the number;

(c) Cause the designator to be placed in a receptacle so as to prevent it from being placed back in the selection pool; and

(d) Enter each letter and number called on a flash board or similar device for player viewing.

(8) A player or charitable organization shall not separate cards on one (1) sheet or from a packet.

(9) All players shall be physically present at the location where the bingo game is held to play the game or to claim a prize offered.

(10) A winner shall be determined when the preannounced pattern of squares is covered by a player on a card.

(11) It shall be the player's responsibility to notify the game operator or caller that the player has a winning bingo combination as announced. When a player declares a winning card, the following steps shall be followed for winner verification:

(a) The game shall be stopped before the next number is called. If the next number has already been called, it shall be secured to ensure that if the declared "bingo" is invalid, the game may continue.

(b) A volunteer for the charitable organization shall take the winning card from the player, holding it in front of a neutral player, and call back the perm number if an electronic verifier or verifier book is used. If any other system is used, a volunteer for the charitable organization shall take the winning card from the player, holding it in front of a neutral player, and call back the winning combination.

(12) If more than one (1) winner is declared in a bingo game, the following method of awarding prizes shall apply:

(a) Cash prizes shall be divided equally among the verified winners.

(b) If the prize is something other than cash and cannot be divided among winners, prizes of equal proportionate value shall be awarded.

(13) Any individual involved in any capacity in the conduct of charitable gaming at which bingo cards are sold shall not purchase or play bingo cards, unless the individual's duties are completed for the evening.

(14) A charitable organization that has "house rules" concerning its bingo session shall post those rules in at least two (2) conspicuous locations within the gaming facility and announce them prior to the commencement of the bingo session.

(15) Every ball in the bingo machine or other device used as a designator shall be placed out for verification at the commencement and at the completion of each bingo session.

Section 6. Winner Verification and Registration. (1) Manufacturers of bingo cards shall make available for purchase a verification book or other system for all cards manufactured.

(2) The charitable organization conducting a bingo game shall use a reliable verification system that corresponds with the set of cards in play.

Section 7. Prizes. (1) The values of bingo cards or free packets or charity game tickets awarded players, whether awarded as door or bingo prizes, as birthday prizes, or for any other reason, shall be included in the prize limit of \$5,000 per twenty-four (24) hour period prescribed in KRS 238.545(1).

(2) Each bingo winner shall be determined and every prize shall be awarded and delivered on the same day on which the bingo was conducted.

(3) Carryover, cumulative or progressive games or prizes connected to a bingo game or conditioned on winning a bingo game shall be permitted only if prizes awarded on carryover, cumulative or progressive games are included in the prize limit of \$5,000 per twenty-four (24) hour period prescribed in KRS 238.545(1) regardless of the method by which a player is eligible to participate. The licensed charitable organization shall be responsible for ensuring that the value of any carryover, cumulative or progressive game prize, when added to the values of the other prizes of the same date or occasion, does not exceed the \$5,000 limit. All receipts on carryover, cumulative or progressive games shall be reported to the department as gross receipts for the date collected pursuant to KRS 238.550.

(4) Any method by which players pay money to be eligible for a drawing, whether or not connected to a bingo game or conditioned on winning a bingo game, shall be considered a raffle.

(5) Each licensed charitable organization awarding a door prize of a value exceeding thirty (30) dollars

shall maintain accurate records of the following:

- (a) The name and address of the individual to whom the door prize was awarded;
- (b) The date on which the door prize was awarded;
- (c) A description of the door prize;
- (d) The fair market value of the door prize; and
- (e) An acknowledgment by the individual to whom the door prize was awarded verifying the information in this subsection and verifying receipt of the door prize.
- (6) All door prizes shall be initiated and awarded on the same date and shall be included in the prize limit of \$5,000 per twenty-four (24) hour period as prescribed in KRS 238.545(1). (22 Ky.R. 439; eff. 10-13-95; Recodified from 500 KAR 11:040, 2-23-99; 26 Ky.R. 231; 630; 761; eff. 10-15-99.)

820 KAR 1:050. Raffle standards.

RELATES TO: KRS 238.545

STATUTORY AUTHORITY: KRS 238.515(2), (4), (9), 238.550(1).

NECESSITY, FUNCTION, AND CONFORMITY: The Department of Charitable Gaming is authorized to establish reasonable standards for the conduct of charitable gaming and to establish standards for the construction and distribution of raffle materials and for the conduct of raffles. This administrative regulation establishes standards for the construction and distribution of raffle materials and for the conduct of raffles.

Section 1. Raffle Ticket Construction. (1) Raffle tickets shall have a detachable section and shall be consecutively numbered.

(2) The detachable section of the ticket shall bear a duplicate number corresponding to the number on the ticket and shall provide space for the purchaser's name, complete address, and telephone number.

(3) The following information shall be printed on each ticket:

- (a) The date(s) and time(s) of the drawing(s);
- (b) The location(s) of the drawing(s);

(c) The name of the charitable organization conducting the raffle;

(d) The charitable organization's license number or exemption number, if any;

(e) The price of the ticket; and

(f) Each prize to be awarded with a fair market value over \$500.

(4) The requirements of subsections (2) and (3) of this section shall be waived if:

(a) The raffle sales are initiated and concluded and all winners are selected within a twenty-four (24) hour period and the total fair market value of all raffle prizes awarded in any twenty-four (24) hour period does not exceed \$250; or

(b) The raffle sales are initiated and concluded and all winners are selected at a special charitable fundraising event; or

(c) The raffle sales are initiated and concluded and all winners are selected at licensed special limited charitable games.

Section 2. Raffle Prizes. (1) A charitable organization conducting a raffle in which real or personal property prizes are to be awarded shall be responsible for the transfer and delivery of the prize without lien or interest of others.

(2) All raffle prizes shall be awarded as indicated on the raffle ticket unless the event at which the raffle was to be conducted is postponed for good cause. If the raffle is postponed, all reasonable efforts shall be made to notify ticket holders of the new drawing date.

Section 3. Conduct of Raffles. (1) Any person holding a raffle ticket shall be permitted to observe the raffle drawing.

(2) No person shall be required to be present at a raffle drawing in order to be eligible for the prize drawing.

(3) Each ticket seller shall return to the charitable organization the stubs or other detachable sections of all tickets sold prior to the drawing.

(4) Before drawing, the charitable organization shall place each stub or other detachable section of each ticket sold into a receptacle from which the winning tickets are to be drawn. The receptacle shall be designed so that each ticket placed in it

has an equal chance to be drawn.

Section 4. Raffle Ticket Sales Records. (1) For a period of thirty-six (36) months following the date of the raffle drawing, the charitable organization shall maintain accurate records as to the raffle tickets sold. The records shall include:

- (a) The name of the charitable organization;
- (b) The total number of tickets printed;
- (c) The sale price per ticket; and
- (d) The date of the raffle drawing.

(2) Other raffle records. The charitable organization shall retain the winning ticket stubs and an accounting of the total amount of proceeds received from the raffle and the expenses of the raffle for a period of thirty-six (36) months following the date of the raffle drawing. (22 Ky.R. 441; eff. 10-13-95; Recodified from 500 KAR 11:050, 2-23-99.)

820 KAR 1:060. Tipping prohibited.

RELATES TO: KRS 238.540(4)

STATUTORY AUTHORITY: KRS 238.515(2), (9), 238.540(4)

NECESSITY, FUNCTION, AND CONFORMITY: The Department of Charitable Gaming is authorized to establish reasonable standards for the conduct of charitable gaming. Charitable gaming is to be conducted and administered only by the charitable organization using volunteer personnel. No person engaged in the conduct and administration of charitable gaming is to receive compensation of any kind. This administrative regulation prohibits tips or other gratuitous conduct.

Section 1. Tipping Prohibited. (1) Tipping or other gratuitous conduct constitutes compensation prohibited by KRS 238.540(4). The charitable organization conducting gaming shall take one (1) or more of the following measures to inform the public that its volunteers are unable to accept tips or other forms of gratuitous conduct:

- (a) Post signs in a conspicuous location that volunteers are not permitted to accept tips;
- (b) Include a notation in a conspicuous location on an occasion program, if any, that volunteers are

not permitted to accept tips; or

(c) Make an announcement immediately prior to the beginning of the charitable gaming session or event that volunteers are not permitted to accept tips.

(2) Except as provided in subsection (3) of this section, a charitable organization shall not pay remuneration or expenses other than those authorized in KRS 238.550(4), or award or otherwise provide any sort of benefits, to or for or on behalf of any person engaged as a volunteer in the conduct of charitable gaming sponsored by the charitable organization.

(3) A charitable organization shall be permitted to provide volunteer workers the following:

(a) Food or drink of a value not to exceed ten (10) dollars in one (1) day to be consumed on the premises where charitable gaming occurs or at any other location with prior written approval by the department;

(b) Any article of clothing worn by the volunteers on the premises where charitable gaming occurs which identifies the volunteer worker as a volunteer for the charitable organization; and

(c) Any noncash item not to exceed twenty-five (25) dollars in fair market value given to volunteers upon achievement of predetermined goals in the conduct of a raffle held in connection with a charity fundraising event or special limited charitable games.

(4) All expenditures made by charitable organizations for volunteers as allowed under subsection (3) of this section shall be reported on Form CG-QR, "Quarterly Activity Report (6/96)". (22 Ky.R. 442; eff. 10-13-95; Am. 1412; eff. 11-8-96; Recodified from 500 KAR 11:060, 2-23-99.)

820 KAR 1:070. Exempt activities.

RELATES TO: KRS 238.535

STATUTORY AUTHORITY: KRS 238.515(2), (9), 238.535(1), (2)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 238.535(2) requires organizations exempt from licensure to notify the Department of Charitable Gaming in writing of its intent to engage in exempt charitable gaming. This administrative regulation

establishes a reporting method and form by which exemption notices are to be filed with and processed by the department.

Section 1. (1) Any charitable organization which otherwise fully qualifies for licensure but claims to be exempt from licensure under KRS 238.535(1) shall submit to the department, thirty (30) days before the exempt charitable gaming activities first occur, a completed form entitled "Notice of Exemption From Charitable Gaming Licensure Requirement", Form CG-Exempt.

(2) The department shall acknowledge receipt of Form CG-Exempt and the charitable organization may present the acknowledgment to licensed distributors or other vendors or entities requiring verification of licensure status as proof that the charitable organization has notified the department of its exempt status.

(3) If the gaming activities of the charitable organization remain exempt, no additional exemption notice shall be filed with the department.

(4) The charitable organization shall notify the department of any changes in information contained on the Form CG-Exempt within thirty (30) days.

(5) A charitable organization possessing an exemption acknowledgement shall file an annual report with the department before December 31st of each year. This report shall be filed on Form CG-EFR, "Exempt Organization Annual Financial Report".

Section 2. Incorporation by Reference. (1) The following material is incorporated by reference:

(a) Form CG-Exempt, "Notice of Exemption From Charitable Gaming Licensure Requirement, (02/02)"; and

(b) Form CG-EFR, "Exempt Organization Annual Financial Report, (02/02)".

(2) This material may be inspected, obtained or copied, subject to applicable copyright law, at the Department of Charitable Gaming, Public Protection and Regulation Cabinet, 132 Brighton Park Boulevard, Frankfort, Kentucky 40601-2639, 8 a.m. to 4:30 p.m., Monday through Friday. (22 Ky.R. 147; eff. 9-7-95; Am. 23 Ky.R. 1413; eff. 11-8-96; Recodified from 500 KAR 11:070, 2-23-99; 26 Ky.R. 232; 763; eff. 10-15-99; 28 Ky.R.

1512; 2038; eff. 3-13-2002.)

820 KAR 1:100. Department employees prohibited from playing charitable games.

RELATES TO: KRS 238.510(4)

STATUTORY AUTHORITY: KRS 238.515(2), (9)

NECESSITY, FUNCTION, AND CONFORMITY: KRS Chapter 238 authorizes the Department of Charitable Gaming to adopt administrative regulations necessary to carry out the provisions of the chapter. This administrative regulation prohibits employees of the Department of Charitable Gaming, which is charged with licensure and enforcement of charitable gaming in the Commonwealth of Kentucky, from playing any charitable games, and in so doing, removes any potential conflict of interest or appearance of impropriety.

Section 1. No department employee, during his or her term of employment, shall play any charitable game authorized in KRS Chapter 238 unless the employee's participation in the game is authorized in advance by the department director as a necessary function of the employee's job duties. (22 Ky.R. 150; eff. 9-7-95; Recodified from 500 KAR 11:100, 2-23-99.)

820 KAR 1:110. Keno.

RELATES TO: KRS 238.505(17)

STATUTORY AUTHORITY: KRS 238.515(2), (9), 238.545(4), 238.550(1)

NECESSITY, FUNCTION, AND CONFORMITY: The Department of Charitable Gaming is authorized to establish circumstances under which "special limited charitable games" will be conducted. This administrative regulation establishes standards for the conduct of Keno, establishes reporting requirements, and establishes standards for the use of Keno equipment.

Section 1. Recordkeeping and Reporting Requirements. (1) For a period of thirty-six (36) months following the last date of the special limited charitable games, the charitable organization shall maintain accurate records as to the conduct of the Keno games. The records shall

include:

- (a) The information contained in the transaction log;
- (b) Payout information for each game played;
- (c) The number draw and time of the draw for each game played;
- (d) Appropriate system parameter information including probable payout percentages and odds of winning for each game played;
- (e) System exception information including voids and late pays for each game played; and
- (f) The exception log.

(2) Other Keno records. The charitable organization shall retain all outside copies of winning tickets of \$500 or more for a period of thirty-six (36) months following the date of the Keno games.

(3) At least once during each day of the special limited charitable games, the organization shall generate an updated shift report, and at the conclusion of each day generate a daily report, which shall be retained for a period of thirty-six (36) months following the date of the Keno games.

Section 2. Conduct of the Game - Keno. The following rules govern the conduct of Keno.

(1) All individuals involved in any way in the conduct of Keno shall be trained in the proper conduct of the game and the control of funds.

(2) Participation.

(a) No person under the age of eighteen (18) shall play or conduct the game of Keno.

(b) No individual involved in any capacity in the conduct of Keno at a charitable gaming event shall be permitted to play Keno at the same event and on the same day in which such individual was involved in the conduct of Keno.

(3) Only computerized Keno games may be conducted. Brush or manual games are prohibited.

(4) No player shall have access to, or be allowed to activate, the Keno equipment. Each number selected by the player, along with the amount wagered and the total numbers played shall be entered into the computer, and an outside ticket shall be presented to the player. The inside ticket

shall be retained for such period deemed necessary by the Keno manager.

(5) Players shall mark the inside ticket with their number selections or selection by quick pick is permissible.

(a) Concurrently with the generation of the outside ticket, the information on the outside ticket shall be recorded on the transaction log.

(b) If a ticket is voided, the void information shall be input in the computer, and the computer shall document the appropriate information pertaining to the voided wager. A void slip shall then be issued, which shall be retained with the outside tickets to serve as documentation of the transaction.

(6) If the Keno equipment breaks down or malfunctions during the selection of the winning numbers and the problem is not promptly corrected, players shall be refunded the amount wagered upon presenting their outside ticket.

(7) Once the Keno manager is satisfied that all tickets for a game have been issued, the game shall be closed and all players shall be so notified. No tickets may be written or voided after a game has been closed and the number selection process has begun. Controls shall exist to prevent the writing and voiding of tickets after a game has been closed and after the number selection process has begun.

(8) The potential payout or prize for each different type of wager shall be made known to the players prior to their selecting numbers. This may be done through posting the potential payouts in a manner clearly visible to the players or through a printed schedule that is available at each location where Keno is played.

(9) No ticket, including a way ticket, may be purchased representing a wager of over five (5) dollars, except that a multirace ticket may be purchased for an amount over five (5) dollars if the wager for each game does not exceed five (5) dollars.

(10) A statement indicating any time restrictions for redeeming a winning ticket shall be visibly posted at each location where Keno is played or printed on the outside ticket or the schedule of prize payouts.

(11) The outside ticket that is given to the player shall contain the following information:

- (a) Date of the game;
- (b) Numbers chosen by the player;
- (c) Ticket sequence number;
- (d) Conditioning of the ticket;
- (e) Station number where the ticket was generated;
- (f) Game number; and
- (g) The name of the charitable organization.

(12) A draw ticket shall be prepared by the computer.

(13) A player shall wait until the last game wagered on has been called in order to collect any winnings. A player may be allowed to play fewer consecutive games than originally indicated, if approval has been obtained from the Keno manager and the voided wagers are properly documented in the transaction log.

Section 3. Winner Verification. Winning tickets shall be verified prior to payout and paid in the following manner:

- (1) Procedures shall be established to preclude payment of a ticket previously presented for payment, unclaimed winning tickets after a specified period of time, voided tickets, and tickets which have not been issued.
- (2) The sequence number of a ticket presented for payment shall be input into the computer, and the payment amount shall be generated by the computer and shall be given to the player.
- (3) No payouts shall be made unless a winning outside ticket has been presented. If the payout amount is not indicated on the outside ticket, a payout slip shall be issued.
- (4) The exception log shall be produced and maintained documenting any payments made on tickets which have not been authorized by the computer.
- (5) In addition to computer system approval, winning tickets of fifty (50) dollars through \$250 shall be verbally verified by the Keno manager, winning tickets of over \$250 require the signature of the Keno manager and winning tickets of \$1,000 or more require approval of the Keno manager evidenced by his signature, the

performance of comparison of the winning customer outside ticket to the transaction log and a regrading of the customer copy using the payout schedule and draw information.

Section 4. Security Standards and Controls. Access to the area in which Keno workers operate shall be restricted to charitable organization workers and authorized equipment service personnel only. Access to the computer system shall be adequately restricted, and the computer and Keno supplies shall be maintained under lock and key while not in use. These keys shall be maintained only by the designated chairperson of the charitable organization.

Section 5. Keno Tournaments Prohibited. Tournaments, whereby players pay an entry fee for a certain amount to play a number of Keno games and where prizes are awarded from a pool of entry fees paid back to the players based on their scores, are prohibited. Keno leagues played in a similar fashion as Keno tournaments are also prohibited.

Section 6. Progressive Keno Games Prohibited. Games with a prize payout that increases by a predetermined percentage or amount as each game is played if the prize has not been awarded in a previous game are also prohibited.

Section 7. Prize Payouts. (1) No individual prize valued in excess of \$25,000 may be awarded in any Keno game.

(2) Every charitable organization shall have sufficient funds available to pay every winner of its Keno games by the end of the business day following the date such winning ticket is verified. Every winning prize shall be paid in full to the winning player and shall not be paid over a period of time or through an annuity, unless such annuity is the prize.

(3) For any prizes valued at \$10,000 or more, the charitable organization shall have sufficient funds insured or guaranteed by:

- (a) An insurance company licensed to transact business in Kentucky;
- (b) Money deposited into an insured account maintained by a financial institution and held in escrow for these purposes;
- (c) An irrevocable letter of credit issued by a financial institution; or

(d) A bond from a bonding company registered to do business in Kentucky.

(4) If two (2) or more tickets fulfill the requirements for winning the largest prize on the same game, the full prize shall be divided equally among the winning tickets subject to any prize payout limit per game. Applicable prize payout limits shall be legibly posted at each location where Keno is played and printed on the schedule of prize payouts.

(5) All unclaimed prizes shall be the property of the charitable organization.

(6) All winning tickets of \$500 or more shall be paid to the player by check and not in cash, made payable to the order of the player.

(7) If there are multiple players on the same winning ticket and the prize is \$500 or more, the prize payment shall also be paid by a single check and not in cash, made payable to the order of the players.

Section 8. Payout Structure. Each game of Keno shall be conducted in such a manner that the probable payout percentage for each game shall not exceed seventy-five (75) percent.

Section 9. Keno Equipment Maintenance and Standards. (1) An effective maintenance plan shall be established to service Keno equipment, including computer program updates, hardware servicing, and Keno number selection equipment.

(2) With the exception of routine maintenance, all Keno equipment maintenance shall be performed by the manufacturer's or distributor's authorized service personnel. Routine maintenance shall include clearing of ticket printer paper jams, changing printer heads and cutter bars, and changing paper tape, adding paper to the ticket printer or aligning the paper on the ticket printer.

(3) A manufacturer or distributor shall not offer or market any type of Keno equipment unless the equipment complies with the requirements contained in this section.

(4) The department shall have the authority to request the testing and approval of any Keno equipment at any time if deemed necessary in order to ensure fairness to the public and maintain the integrity of the game.

(5) Hardware requirements.

(a) All electrical and mechanical parts and design principles shall follow acceptable industrial codes in standards in both design and manufacture.

(b) Logic boards and software EPROM's shall be in a locked or sealed area within the machine or in a separate machine. No access to this area is allowed by persons other than the manufacturer's or distributor's authorized service personnel. Any unauthorized tampering or entrance into the logic area is prohibited.

(c) All PROMs and EPROMs shall have unique serial numbers that may be used to identify the PROMs and EPROMs for approval and inspection purposes. All logic boards shall have unique serial numbers or model numbers for approval and inspection purposes.

(d) A machine shall have a nonremovable identification label externally attached to the machine which includes the name of the manufacturer, the serial number of the machine and the model or make of the machine.

(6) Machine protection and integrity.

(a) A surge protector that feeds all power to the equipment shall be installed.

(b) The operation of the Keno equipment shall be impervious to influences from the outside of the device, including electro-magnetic interference, electro-static interference, and radio frequency interference.

(c) All computer functions and programs shall be secured in a locked and protective housing.

(d) The design of the Keno equipment shall ensure that there are no readily accessible game function related points which would allow any input and that there is no access to input or output circuits unless it is necessary for the proper operation of the equipment. No switches or other controlling devices may be added to the machine that would cause the machine to operate in a manner other than in which it was designed to play.

(7) Software requirements.

(a) The logic of the hardware or software may not interfere with the random number generator software.

(b) The software shall meet the minimum internal control standards for the conduct of Keno.

(c) Machine programs shall be capable of detecting corruption and shall provide an error message due to failure of the program storage media and cause the machine to cease play until corrected.

(d) All programs residing in the equipment shall be contained in a storage media which is not alterable through any use of the circuitry or programming of the machine itself.

(8) Retention of game data.

(a) No Keno equipment shall have a mechanism whereby an error will cause the game data to automatically clear. Game data shall be maintained at all times regardless of whether the machine is being supplied with power.

(b) Game data shall be stored in such a way as to prevent loss of the data when replacing parts or modules during normal maintenance.

(9) Random number generator. Random number generator selection device. A random number generator shall reside on a PROM or EPROM secured in the logic board of the computer. The numbers selected by the random number generator for each game shall be stored in the computer's memory and be capable of being output to produce a draw ticket with no manual input of the numbers required. Each possible combination of numbers which produce winning or losing game outcomes shall be available for random selection at the initiation of each game. The random selection process shall not produce any patterns of game outcomes, or be dependent upon any previous number selections or game outcomes, the amount wagered, or upon the style or method of play.

(10) Printer.

(a) The numbers that the player selects shall be printed on the outside ticket.

(b) The printer mechanism shall have a paper-sensing device that upon sensing a "paper low" condition will allow the machine to finish printing the ticket and then prevent further ticket writing.

(c) Each machine shall recognize a printer power loss occurrence and cease play until power has been restored to the printer and the machine is capable of producing a valid ticket.

(d) Printed game data shall be printed in ink that will remain legible throughout the retention period required by Section 1 of this administrative

regulation. (23 Ky.R. 1279; Am. 1938; eff. 11-8-96; Recodified from 500 KAR 11:110, 2-23-99.)

820 KAR 1:120. Other allowable expenses.

RELATES TO: KRS 238.536, 238.550(6)

STATUTORY AUTHORITY: KRS 238.515(2), (9), 238.550(6)(j)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 238.550(6)(j) authorizes the Department of Charitable Gaming to approve expenses determined to be legitimate but which have not already been authorized by statute. This administrative regulation establishes those expenses.

Section 1. Other Allowable Expenses. In addition to those authorized expenses provided for in KRS 238.550(6), each of the following expenses are determined to be legitimate and shall be allowable expenses of a licensed charitable organization:

(1) The following customary and usual banking fees or charges paid to any financial institution in connection with an organization's charitable gaming account:

(a) Monthly service charges;

(b) Check verification service charges;

(c) Check printing charges;

(d) Charges relating to returned checks; and

(e) Copying charges for bank records;

(2) Customary and usual fees or charges paid to a check verification company incurred in connection with the organization's charitable gaming activities;

(3) Customary and usual fees or charges incurred with accepting and processing credit card purchases from patrons at the organization's charitable gaming activities;

(4) Food or clothing provided to volunteers as authorized in 820 KAR 1:060;

(5) Payments made to the Department of Charitable Gaming;

(6) Printing costs incurred in connection with an organization's charitable gaming activities;

(7) Payments for the purchase of prizes to be awarded during the organization's conduct of charitable gaming; and

(8) Federal excise taxes levied under 26 USC 4401 and 4411 and paid by a licensed charitable organization during the calendar year. (23 Ky.R. 1282; eff. 11-8-96; Recodified from 500 KAR 11:120, 2-23-99; 28 Ky.R. 1513; 2039; eff. 3-13-2002.)

820 KAR 1:130. Administrative actions.

RELATES TO: KRS 238.515(6), 238.530, 238.555, 238.560(3), 238.995

STATUTORY AUTHORITY: KRS 238.515(6), (9), 238.560(3)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 238.560(3) authorizes the Department of Charitable Gaming to take appropriate disciplinary action against persons who do not operate in compliance with KRS Chapter 238 and the administrative regulations promulgated thereunder. KRS 238.560(3) directs the department to promulgate an administrative regulation to classify administrative offenses and describe the recommended penalties and other administrative actions for those offenses. This administrative regulation establishes the required classifications and penalties.

Section 1. (1) The department may issue a letter of reprimand or a cease and desist order to any license holder for any violation of KRS Chapter 238 or 820 KAR Chapter 1.

(2) The department shall impose this administrative action in accordance with KRS 238.560(3) if the department determines that the action will deter future violations and promote efforts to correct the violation cited.

Section 2. The department may assess fines against any license holder in accordance with the following schedule. All fines shall be assessed in accordance with KRS 238.560(3).

(1) A violation of KRS Chapter 238 or 820 KAR Chapter 1 relative to charitable gaming recordkeeping and reporting requirements, except for failure to file quarterly reports as required in 820 KAR 1:025, shall be subject to a fine not to exceed \$500 for each offense. A second or

subsequent violation of the same statutory or regulatory provision during the same year shall be subject to a fine not to exceed \$1,000 for each offense.

(2) A violation of KRS Chapter 238 or 820 KAR Chapter 1 relative to the conduct of charitable games, including conducting unauthorized games, participation by unauthorized persons, violations of rules of play for bingo, charity game tickets, raffles, games of chance approved for charity fundraising events, and special limited charitable games, shall be subject to a fine not to exceed \$500 for each offense. A second or subsequent violation of the same statutory or regulatory provision during the same year shall be subject to a fine not to exceed \$1,000 for each offense.

(3) A violation of KRS Chapter 238 or 820 KAR Chapter 1 relative to manufacture, packaging, and distribution of charitable gaming supplies and equipment shall be subject to a fine not to exceed \$500 for each offense. A second or subsequent violation of the same statutory or regulatory provision during the same year shall be subject to a fine not to exceed \$1,000 for each offense.

(4) A violation of the provisions of KRS 238.530(10) or 238.555(3) shall be subject to a fine not to exceed \$750 for each offense. A second or subsequent violation during the same year shall be subject to a fine not to exceed \$1,000 for each offense.

(5) A violation for conducting without a license any activity for which a license is required under KRS Chapter 238 and 820 KAR Chapter 1 shall be subject to a fine not to exceed \$1,000 for each offense.

(6) A violation for making false statements in reports or other documents submitted to the department, including quarterly reports, license applications or records of charitable gaming sessions and events, shall be subject to a fine not to exceed \$1,000 for each offense.

(7) A violation of KRS Chapter 238 or 820 KAR Chapter 1 relative to diversion of net receipts from authorized expenses or charitable purposes, unlawful compensation to an individual involved in the conduct of charitable gaming, or any other inurement of net receipts to the private benefit or financial gain of an individual or person, shall be subject to a fine not to exceed \$1,000 for each offense.

(8) Any other violation of KRS Chapter 238 or 820 KAR Chapter 1 for which a fine is not established in this section shall be subject to a fine not to exceed \$1,000 for each offense.

Section 3. The department may impose upon any license holder a term of probation for any violation of KRS Chapter 238 or 820 KAR Chapter 1. The department may impose this administrative action, in accordance with KRS 238.560(3), if it determines that department oversight and monitoring of the license holder's activities will promote efforts to correct the cited violation and deter future violations.

Section 4. The department may revoke, suspend or deny a license or application for license for any violation of KRS Chapter 238 or 820 KAR Chapter 1 under the following circumstances:

(1) The department shall revoke or deny a license if:

(a) An applicant or license holder or individual associated with the applicant or license holder in a capacity listed in KRS 238.525(3) has been convicted of a felony, gambling offense, criminal fraud, forgery, theft, falsifying business records, violation of KRS 238.995, or any two (2) misdemeanor crimes in federal court or the courts of any state, the District of Columbia, or any territory, consistent with the provisions of KRS Chapter 335B during the term of licensure;

(b) A license holder fails to file any reports required pursuant to KRS Chapter 238 or 820 KAR Chapter 1;

(c) A license holder, upon notice of delinquency, fails to remit to the department the charitable gaming fee required pursuant to KRS 238.570(1); and

(d) With respect to license renewal applications, a license holder fails to fulfill any requirement, qualification or eligibility restriction for licensure set forth in KRS Chapter 238 or 820 KAR Chapter 1.

(2) The department may revoke, suspend or deny the license or application of a charitable organization, a manufacturer, a distributor or a facility for violations of KRS Chapter 238 or 820 KAR Chapter 1 if the nature, frequency and severity of the offenses charged, and the license holder's or applicant's history of previous violations, demonstrate an unwillingness or inability to operate in compliance with the law.

Section 5. The department shall issue a written notice of violation to a license holder determined to have violated provisions of KRS Chapter 238 or 820 KAR Chapter 1. This notice shall be provided on a Form CG-NOV, Notice of Violation(s). Any Notices of Violation issued to a license holder shall be considered by the department in evaluating the license holder's history of previous violation. A Notice of Violation shall state the provisions alleged to have been violated and shall notify the license holder that the department may take administrative action against the license holder as a result of the violations.

Section 6. A person shall submit a completed Department of Charitable Gaming Complaint Form to initiate an investigation of an alleged violation.

Section 7. Incorporation by Reference. (1) The following material is incorporated by reference:

(a) Form CG-NOV, "Notice of Violation(s)", 07/01; and

(b) Form CG-Complaint, "Department of Charitable Gaming Complaint Form", 07/01.

(2) This material may be inspected, obtained or copied, subject to applicable copyright law, at the Department of Charitable Gaming, Public Protection and Regulation Cabinet, 132 Brighton Park Boulevard, Frankfort, Kentucky 40601-3714, Monday through Friday, 8 a.m. to 4:30 p.m. (28 Ky.R. 1539; Am. 2039; eff. 3-13-2002.)
